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3/7/02

SECURITIES  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

MAR 01 2002

SEC FILE NUMBER

8-476-17

50037

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

AXES AMERICA, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

EAST BUILDING 70, SEAVIEW AVENUE

(No. and Street)

STANFORD

CT

06902

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

YOSHINORI TAKAHASHI

<203> 975-1500

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BERSON + CORRADO, LLP

(Name — if individual, state last, first, middle name)

25 WEST 43<sup>RD</sup> STREET, SUITE 1612 NEW YORK, NY 10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 26 2002

THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

So  
3/22/02

### OATH OR AFFIRMATION

I, YOSHINORI TAKAHASHI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AXES AMERICA, LLC, as of DECEMBER 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

STATE OF NEW YORK

COUNTY OF NEW YORK

SUBSCRIBED & SWORN TO BEFORE  
ME THIS 27 DAY OF DEC., 2002

*Robert Grossman*

*Yoshi Takahashi*  
Signature  
EXECUTIVE VICE PRESIDENT, CEO  
Title

Notary Public

ROBERT GROSSMAN  
Notary Public, State of New York  
No. 01GR1589730  
Qualified in Nassau County  
Commission Expires May 31, 2003

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Axes America, LLC  
(A Limited Liability Company)

Statement of Financial Condition

December 31, 2001

**Assets**

Cash and cash equivalents	\$ 193,052
Investments, at cost	45,300
Fixed assets:	
Leasehold improvements	90,637
Furniture and fixtures	51,918
Equipment	16,267
Automobile	15,913
Less accumulated depreciation	[76,432]
Other assets	<u>9,531</u>
Total assets	<u>\$ 346,186</u>

**Liabilities and capital**

Liabilities:

Accounts payable and accrued expenses	<u>\$ 46,057</u>
Total liabilities	46,057

**Capital**

Members' capital	300,129
Total liabilities and capital	<u>\$ 346,186</u>

*The accompanying notes are an integral part of these financial statements.*

Axes America, LLC  
(A Limited Liability Company)

Statement of Loss

For the year ended December 31, 2001

**Revenues**

Investment advisory fees	\$ 360,000
Private placement fees	<u>50,000</u>
	<u>410,000</u>

**Expenses**

General and administrative	318,030
Professional fees	44,689
Advisory fees	<u>70,000</u>
	<u>432,719</u>

**Other Income**

Interest and dividend income	<u>6,306</u>
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Net loss	<u>\$ [16,413]</u>
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*The accompanying notes are an integral part of these financial statements.*

Axes America, LLC  
(A Limited Liability Company)

Statement of Changes in Members' Capital

For the year ended December 31, 2001

	<u>Total</u>
Members' capital at December 31, 2000	\$ 316,542
Net loss	<u>[16,413]</u>
Members' capital at December 31, 2001	<u>\$ 300,129</u>

*The accompanying notes are an integral part of these financial statements.*

Axes America, LLC  
(A Limited Liability Company)

Statement of Cash Flows

For the year ended December 31, 2001

**Operating activities**

Net loss	\$ [16,413]
Adjustments to reconcile net loss to cash provided by operations:	
Depreciation	31,938
Changes in operating assets and liabilities:	
Other assets	[271]
Accounts payable and accrued expenses	6,326
Net cash provided by operating activities	<u>21,580</u>

**Investing activities**

Investment, at cost	[2,500]
Purchase of fixed assets	<u>[17,195]</u>
Net cash used in investing activities	<u>[19,695]</u>

Increase in cash and cash equivalents	1,885
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Cash and cash equivalents at beginning of the year	<u>191,167</u>
Cash and cash equivalents at end of the year	<u>\$ 193,052</u>

*The accompanying notes are an integral part of these financial statements.*

Axes America, LLC  
(A Limited Liability Company)

Notes to Financial Statements

December 31, 2001

**I. GENERAL INFORMATION**

Axes America, LLC (the "Company") was formed in the state of Delaware on February 14, 1997. The Company will continue indefinitely unless it is earlier terminated in accordance with the Limited Liability Company Agreement by a majority of the common interest of the members or pursuant to the Delaware Limited Liability Company Act. Effective May 28, 1998 (commencement of operations), the Company obtained registration as a broker-dealer pursuant to the Securities Exchange Act of 1934, as amended.

The Company acts as an introducing broker for securities transactions initiated by an affiliated entity. All transactions for its customers are cleared through and carried by a member of the National Association of Securities Dealers, Inc. and of major national securities exchanges on a fully disclosed basis. Accordingly, customer positions are not reflected in the accompanying statement of financial condition.

Investments consist of 1,200 warrants and 2,000 shares of common stock in The Nasdaq Market, Inc., and 250 shares of class A Series 7 preferred stock in China Online, Inc.

The Company also provides general investment research and advisory services to affiliated entities for fixed monthly fees. In addition, the Company provides certain private placement and product development services to affiliated and non-affiliated entities. Fees for such services are either a fixed amount, or based upon a percentage of the assets involved in the transaction.

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Revenue Recognition**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Certain investment research and advisory fees are received quarterly in advance and recognized as earned on a pro rata monthly basis. Private placement fees are recognized as earned upon the completion of the related services.

Axes America, LLC  
(A Limited Liability Company)

Notes to Financial Statements

December 31, 2001

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fixed Assets**

Items capitalized as fixed assets are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets: equipment, three years; leasehold improvements, five years; and furniture and fixtures, seven years. At December 31, 2001, accumulated depreciation equals \$76,432.

**Income Taxes**

The Company does not record a provision for income taxes because the individual members report their share of the Company's income or loss on their personal income tax returns.

**III. MEMBER ALLOCATIONS AND DISTRIBUTIONS**

Net income is allocated to the members' capital accounts in proportion to each members' respective ownership interest in the Company.

Cash distributions may be made at the discretion of the Company's elected managers. During 2001, there were no distributions to its members.

**IV. NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$146,995 which was \$46,995 in excess of the required minimum capital of \$100,000 and its ratio of aggregate indebtedness to net capital was .31 to 1.

**V. RELATED PARTY TRANSACTIONS**

Under the terms of the Limited Liability Company Agreement, managers may receive compensation for services rendered. During 2001, managers received \$24,000 of compensation expense for such services.

All investment advisory fees earned during the year ended December 31, 2001, were from offshore affiliated entities which are owned by the members of the Company.

**VI. COMMITMENTS**

The Company's lease agreement for its executive offices expires on March 31, 2004, and requires monthly payments of approximately \$3,800 increased annually of approximately 3.9%. Upon execution of the lease agreement, the Company received a rent abatement of approximately \$8,800. Such amount is being recognized as a reduction of rent expense ratably over the term of the lease. At December 31, 2001, approximately \$3,973 of such abatement remains amortizable and is included in accrued expenses.



Axes America, LLC  
(A Limited Liability Company)

Notes to Financial Statements

December 31, 2001

**VI. COMMITMENTS (continued)**

The Company also entered into a one-year non-cancelable lease for an apartment for one of its employees. This lease expired on March 25, 2001, and required monthly payments of approximately \$2,400.

Rent expense for the year ended December 31, 2001, is approximately \$56,443.

Future minimum obligations under non-cancelable operating leases at December 31, 2001, are as follows:

2002	\$51,005
2003	52,842
2004	13,325

## Supplementary Schedules

Axes America, LLC  
(A Limited Liability Company)

Computation of Net Capital Under Rule 15c3-1 of  
the Securities and Exchange Commission

December 31, 2001

**Computation of net capital**

Total members' capital from statement of financial condition	\$ 300,129
Deductions:	
Non-allowable assets:	
Investment, at cost	45,300
Fixed assets, net	98,303
Other assets	<u>9,531</u>
Net capital	<u>\$ 146,995</u>

**Aggregate indebtedness**

Total liabilities from statement of financial condition	<u>\$ 46,057</u>
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**Computation of basic net capital requirements**

Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 3,071</u>
Minimum dollar net capital requirement	<u>\$ 100,000</u>
Net capital requirement (greater of above amounts)	<u>\$ 100,000</u>
Excess net capital	<u>\$ 46,995</u>
Ratio of aggregate indebtedness to net capital	<u>.31/1</u>

There are no material differences between the computation of net capital presented above and the computation of net capital reported in the Company's unaudited Form X-17A-5, Part II-A filing as of December 31, 2001.

Axes America, LLC  
(A Limited Liability Company)

Statement Regarding SEC Rule 15c3-3

December 31, 2001

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, as amended, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(i) of the Rule.

Independent Auditor's Supplementary Report on  
Internal Control Required by SEC Rule 17a-5

To the Members  
Axes America, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Axes America, LLC (the "Company") for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the criteria stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the criteria of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal controls to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, as amended and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, except for the condition noted herein, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

Our opinion recognizes that it is not practicable in an organization the size of the Company to achieve all the divisions of duties and cross-checks generally included in a system of internal control and that alternatively greater reliance must be placed on surveillance by management.

This report is intended solely for the use of management, the National Association of Securities Dealers, Inc., the Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, as amended, in their regulation of registered brokers and dealers, and is not intended to be used by anyone other than these specified parties.

*Belson & Corrado, LLP*

February 6, 2002

Financial Statements  
and Supplementary Schedules

Axes America, LLC  
(A Limited Liability Company)  
SEC No. 8-50037

For the year ended December 31, 2001  
with Report of Independent Auditors  
and Supplementary Report on Internal Control  
Filed in accordance with Rule 17a-5(e)(3)  
As a PUBLIC DOCUMENT

Axes America, LLC  
(A Limited Liability Company)

Financial Statements  
and Supplementary Schedules

For the year ended December 31, 2001

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**Berson & Corrado** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

25 West 43rd Street  
Suite 1612  
New York, NY 10036-7406  
Telephone: 212-730-5444  
Fax: 212-730-5450

**Report of Independent Auditors**

To the Members  
Axes America, LLC

We have audited the accompanying statement of financial condition of Axes America, LLC (the "Company") as of December 31, 2001, and the related statements of loss, changes in members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Axes America, LLC at December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berson & Corrado, LLP*

BERSON & CORRADO, LLP  
February 6, 2002